



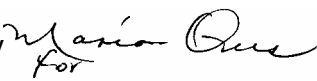
**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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May 13, 2005

TO: Supervisor Gloria Molina, Chair
Supervisor Yvonne B. Burke
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: J. Tyler McCauley *for* 
Auditor-Controller

SUBJECT: REVIEW OF AIDS HEALTHCARE FOUNDATION, INC. CONTRACT

On March 1, 2005, your Board directed the Auditor-Controller to audit the Department of Health Services' (DHS) contract with the AIDS Healthcare Foundation, Inc. (AHF) for hospice services at the Carl Bean House. The purpose of our audit was to determine whether AHF was being overpaid for services to County patients.

We audited AHF's billings from March 1, 2004 through December 31, 2004, the most recent period for which billing and payment records were available. Our review confirmed that AHF is receiving payment from both the County and Medi-Cal for services provided to the same Medi-Cal patients.

The contract states that, when AHF is paid by both the County and Medi-Cal, AHF is supposed to credit the County for the full amount of the previous County payment. We found that AHF is only crediting the County for the amount of the Medi-Cal payment, which is lower than what the County pays AHF. As a result, for the nine months audited, we estimate that AHF kept approximately \$348,000 in County payments for Medi-Cal covered patients.

There is a disagreement between AHF and the County whether AHF is entitled to keep the balance of the County payment for Medi-Cal patients. AHF claims that the Medi-Cal payment does not cover all the services they provide. AHF notes that the State does not have a reimbursement rate for the type of facility covered by the contract, and only pays AHF the intermediate care facility rate. However, DHS and County Counsel have indicated that, based on their review of the Medi-Cal regulations, the Medi-Cal payment does cover the services provided by AHF.

Background

AHF has a contract with the County to provide hospice care services at Carl Bean House. The contract maximum is \$1.7 million per year. Under the contract, AHF provides housing, skilled nursing care, medical supervision, pharmacy, dietary, social/recreation and other services to patients with HIV/AIDS.

The County is one of AHF's largest sources of revenue for hospice services, totaling approximately \$1.7 million a year, at a rate of \$425 per patient day. In the current contract year, County payments to AHF are made using County funds, not federal HIV/AIDS funds. Medi-Cal pays AHF approximately \$73 a day for services to Medi-Cal patients.

The contract requires AHF to bill third-party payers for eligible patients, and states that "payment by third-party payers shall be considered payment in full". The County pays AHF for services to patients who do not have third-party coverage and for patients who have a pending Medi-Cal application. The contract states that, if AHF subsequently receives payment from Medi-Cal, AHF should credit the County "an amount equal to the prior County payment not just the amount of the payment received from Medi-Cal."

DHS' Centralized Contract Monitoring Division (CCMD) audited the AHF contract for the contract year ending February 29, 2004. CCMD reported that AHF was receiving payment from Medi-Cal for eligible patients for whom the County had also paid AHF and concluded AHF was overpaid. Based on the results of CCMD's audit, the Board asked us to audit the AHF contract to determine if AHF was being overpaid.

Scope of Review

We audited AHF's billings under the contract from March 1, 2004 to December 31, 2004, the most recent period for which billing and payment records were available. During that period, AHF billed the County for 3,622 patient days. The County paid AHF a total of \$1.5 million for services during the period.

Reimbursement for Medi-Cal Collections

Our review confirmed CCMD's finding that AHF bills both the County and Medi-Cal for services to Medi-Cal patients. We noted that when AHF receives payment from Medi-Cal, AHF only credits the County the amount of the Medi-Cal payment received, and not the full amount previously paid by the County as required by the contract. From March 1, 2004, through December 31, 2004, the County paid AHF approximately \$421,000 for services to Medi-Cal patients. AHF also received \$73,000 from Medi-Cal for services to these patients. AHF credited the County for the amount they received from Medi-Cal (\$73,000) and kept the balance of the amount paid by the County, approximately \$348,000.

It should be noted that the \$348,000 balance kept by AHF is based on AHF billing and receiving payment from Medi-Cal for 990 patient days. Our review indicates that there are an additional 926 days for which AHF should bill Medi-Cal and credit the County if AHF receives the Medi-Cal payment.

There is a significant dispute between the County and AHF regarding whether AHF is entitled to keep the remainder of the County payment. AHF claims that they are entitled to keep the difference between the County payment and the Medi-Cal payment because the State does not have a reimbursement rate for the type of facility covered by the contract, and only pays AHF the intermediate care facility rate. AHF notes that the County's contract with AHF states that AHF should credit the County for the amount paid by Medi-Cal for "such services". AHF claims that they keep the remainder of the County payment because they believe that Medi-Cal only pays for patients' room and board, and not for other services that AHF indicated they provide as a Congregant Living Health Facility, such as medical supervision, pharmaceutical services, dietician services, etc.

DHS and County Counsel have reviewed AHF's position and concluded that most of AHF's services are covered by the Medi-Cal payment for intermediate care facility services. County Counsel also noted that AHF can also bill Medi-Cal a separate and additional amount for some of these services. DHS and County Counsel have also indicated that the contract clearly requires AHF to accept the Medi-Cal payment as payment in full and that, as a result, they believe AHF has been overpaid.

We understand that AHF also claims that DHS has accepted their interpretation of the contract because DHS has allowed AHF to keep the remainder of the County payments since 1992. County Counsel has indicated that they believe that DHS' prior actions do not amount to accepting AHF's past billing and collection practices. DHS and County Counsel should consider whether the County can recover the County's payments in excess of the Medi-Cal payments retained by AHF in prior years.

Billing for Medi-Cal Covered Patients

Under the contract, AHF may bill the County for services to indigent patients who do not have other third-party coverage, members of DHS' Community Health Plan and patients who do not have approved Medi-Cal coverage when they are admitted to the AHF facility. The contract does not indicate that the County will pay AHF for patients who have approved Medi-Cal coverage at the time they are admitted to the AHF facility, except when Medi-Cal denies payment for those services.

We noted that AHF is billing the County for all patients, except patients with private insurance coverage. From March 1, 2004 through December 31, 2004, AHF billed the County for 900 patient days for patients who had approved Medi-Cal coverage when they were admitted to the AHF facility. AHF did credit the County for the amount they later collected from Medi-Cal for these patients. However, as discussed earlier, AHF also kept the remainder of the County payment.

AHF personnel indicated that they billed the County for patients with approved Medi-Cal to avoid delays in receiving payments since AHF does not bill Medi-Cal until the patients are discharged. However, our review indicates that AHF does not have to wait until patients are discharged to bill Medi-Cal.

AHF's practice of billing the County for patients with approved Medi-Cal coverage results in AHF keeping the balance of the County's payment for these patients, who are not County-responsible patients under the contract. AHF claims that they bill the County for these patients because the Medi-Cal payment does not cover all the services AHF provides.

Conclusion

Our review confirmed that AHF has been billing both the County and Medi-Cal for services to Medi-Cal patients. While AHF does credit the County for the amount of the Medi-Cal payment, AHF keeps the balance of the County payment. Based on our review, we agree with DHS and County Counsel that, under the contract, AHF is not entitled to keep the remainder of the County payment. As noted earlier, AHF believes that, because the State does not have a reimbursement rate for the type of facility they operate and only pays AHF the intermediate care facility rate, they are entitled to keep the balance of the County's payment to cover the higher level of service they indicated they provide.

If you have any questions, please contact me or your staff may contact Jim Schneiderman at (626) 293-1101.

JTM:MMO:JS:yb

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